

County Administrator's Budget Message

To: The Members of the Board of Supervisors

I am pleased to submit to you and the citizens of James City County the financial plan for the 2003-2004 fiscal year. At this time last year, I presented to you the biennial financial plan with various revenue projections and spending plans for FY 2004. However, revenue projections in sales taxes, machinery and tools, personal property, and investment income are not expected to materialize. In addition, previous estimates for State revenues are reduced as the State continues its trend of decreasing its aid to localities.

With revenue projections \$1,333,345 less than expected, the continued uncertainty with the economy and many competing needs, difficult choices were made during the preparation of this budget. The only healthy source of revenue is taxes on real property. The active market and new construction is pushing values up and adding new improvements to the tax roles. Property owners will be paying higher taxes due to reassessments, even with no increase in the tax rate. Increasing the real estate tax rate to make up for other revenue shortfalls was not a viable option.

This budget continues a \$0.87 tax rate, operating at a \$0.85 tax rate with \$0.02 cents reserved for future debt service. The proposed General Fund budget for FY 2003-2004 totals \$113,498,385 which is a \$5,076,830 or 4.7 percent increase over the current year's budget. Of this increase, 75 percent or \$3,784,828 is allocated to the Schools for operating and debt service. County operational spending increases \$1,029,935 in FY 2004 for an increase of 2.4 percent with over half of that increase allocated to public safety.

Balancing Resources in Difficult Economic Times

James City County has felt the impact of the nation's sluggish economy with the closings of two major companies. These companies closed due to overall business decisions that would allow these companies to weather the economic downturn and/or restructure their core business. James City County has also felt the impact of the economy in the areas of reduced sales tax revenues and investment income. Retailers are experiencing difficult years and interest rates are at a historical low. With the economy presenting limited revenue growth, I issued guidance to County Departments, Constitutional Officers, and outside agencies, indicating that the County did not intend to make up State cuts and that every department needed to look at their operations and propose ways to curb spending.

I am glad to report that my guidance was followed. Planned positions were deferred, the vehicle replacement schedule was evaluated and revised, vehicle usage was analyzed and where it was found to be more cost effective, the overall fleet was reduced. Travel expenditures were reduced 15 percent. Constitutional Officers suggested spending reductions to offset State funding cuts. Many outside agencies did not seek increases in funding. Overall, County operations increase only 2.4 percent. This is down from a 4.4 percent increase anticipated at this time last year.

I also issued guidance to the Schools indicating that due to the reduction in revenue forecasts, resources would be limited. However, the Schools have requested more local funds than are available for School allocation.

County Administrator's Budget Message

As in previous years, departments were asked to do the following in preparing budget requests:

- Examine opportunities for outsourcing and consolidating services with either other departments or other County supported agencies.
- Seek additional resources other than general tax dollars to support their operations.
- Ensure that the services the department is providing are consistent with the County's Comprehensive Plan and Strategic Management Plan.
- Identify strategies in operational plans for incorporating information technology tools.

The proposed budget reflects the results of these efforts and focuses on the four County Goals adopted by the Board of Supervisors as part of the Strategic Management Plan.

I. Balance Service Demands with Available Resources

In many ways, this goal overarches every aspect of County operations. The County ensures that resources are managed effectively by examining services, procedures and organizational structure, using methods such as benchmarking and continuous process improvement. Opportunities for cost savings and improved services are identified through regional cooperation, private sector involvement, and partnerships. Departments and County-funded agencies are encouraged to identify alternative resources such as grants, user fees, and volunteer assistance to provide services. With the fiscal constraints of FY 2004, balancing services demands with limited resources was particularly challenging. I would like to thank you, members of the Board of Supervisors, for your commitment to a two year budgeting process and your early guidance for the second year of that financial plan.

In recognition of the limited available resources and the success of the combined County/Schools grounds maintenance program, a planned position for FY 2004 in grounds maintenance has been deferred.

Expediting the review of development plans to achieve timeliness and efficiency goals is an important management objective. Process improvements and additional resources can address this need. Review of the County's fees relating to development activities revealed that we were charging lower fees for services than other comparable communities. Raising those fees allows the County to balance service demands by adding one (1) Civil Engineer, (1) Planner, and additional hours to a part-time Plans Reviewer position. These service enhancements are proposed to be financed by user fees and not by the general taxpayer.

Overall, in the General Fund, there is an increase of nine positions in the FY 2004 budget.

County Administrator's Budget Message

II. Enhance the Character of the Community

James City County offers a high quality of life to its citizens, which is what makes it an attractive community. Part of the attractiveness of this community is its park facilities. Included in this proposed budget is one (1) Senior Park Coordinator, to oversee staff and operations at the ten County parks. One part-time (.5) position is proposed to support the maintenance of the County's facilities, grounds, and parks. This position is offset with a reduction in temporary hours.

Funding is also included in this budget to continue the Purchase of Development Rights Program, water quality improvements, greenspace and the greenways programs. These programs have positive impacts on our environment and add to our quality of life.

III. Ensure Broad-Based Citizen Involvement in Decision Making

The County continues its commitment to encourage broad citizen participation in decision-making. Our goal is to ensure citizen access to every stage of a continuous, open and visible communications process. This effort includes informing the public about issues and processes, getting feedback, following up on the feedback when making and implementing decisions, and measuring how well the citizens' needs are met. Planned for FY 2004 was an additional full-time video position to enhance JCC TV48 program offerings and market County communication efforts to citizens. This position has been reevaluated and is now proposed as a part-time (.5) position with additional funding for contracted services.

IV. Promote a Healthy Community

This goal focuses on providing for a community that is not only safe, but also has robust social, environmental, and economic health.

Public safety initiatives in this financial plan account for over half of the increase in County operational spending and include:

1. One (1) additional Police Officer is proposed as an overhire. This will help the Police Department to continue to provide critical services while several staff members have been called to active military duty.
2. Three (3) new Firefighter positions are proposed to support Fire Department responses to the increasing number of EMS calls.
3. The Central Dispatch system will continue its upgrade to accept wireless 911 calls, which is a State-mandated initiative. Two (2) new Telecommunicator positions are included in FY 2004 to handle this workload. These costs are partially offset by the elimination of on-call hours and increased revenues from the State Wireless Board.

County Administrator's Budget Message

4. In FY 2004, funds are included for the upgrade of self-contained breathing apparatus (SCBA) equipment for the Fire Department. This upgrade will bring the County's equipment up to the new standard by the National Fire Protection Agency.

Promoting a healthy community also focuses on the youth of the community. The County continues to implement our Youth Strategic Plan which includes increased access to services and the targeting of more at-risk youth. Funding is included to continue the successful STRIVE program and the free access to the James River Community Center and Williamsburg Area Transport for youth is also continued.

Funds

The following categories of funds are included in this proposed budget:

General Fund: This is the County's major operating fund, and is where tax dollars are deposited. Most ongoing activities, such as police and fire services, and the County's contribution to school operations, are accounted for in the General Fund.

Capital Projects Fund: This fund is used to account for the cost of major, one time infrastructure and equipment investments that result in a County asset. Those related to water and sewer service are exceptions.

Proprietary Fund: The James City Service Authority, which is responsible for providing water and sewer service to certain areas of the County, has its own fund, which is supported solely by user fees. Both ongoing operations and capital investments are accounted for in this fund.

Special Revenue Funds: Programs where the major sources of revenue are not local tax dollars are classified under these funds. Such programs include Social Services and Transit operations. An additional fund has been added to capture those grants and special projects that do not fall into any other funds.

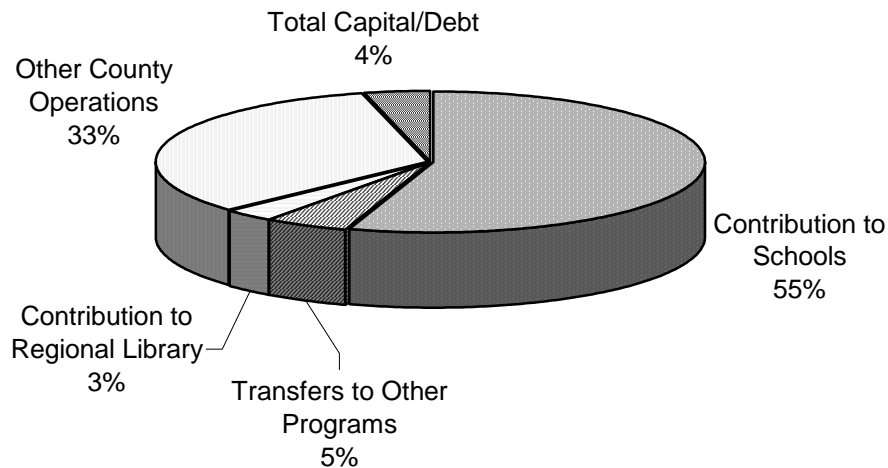
County Administrator's Budget Message

►GENERAL FUND

The proposed General Fund budget for FY 2004 is depicted below:

	FY 2003		FY 2004	
	Adopted	% of Total	Proposed	% of Total
<u>Expenditures:</u>				
Schools	\$ 58,539,395	54%	\$ 62,324,223	55%
Transfers to Other Programs	5,926,994	5%	6,167,701	5%
Regional Library	3,539,586	3%	3,637,976	3%
Other County Operations	35,769,371	34%	36,633,105	33%
Total Expenditures	\$103,775,346	96%	\$108,763,005	96%
<u>Capital/Debt Investment:</u>				
Debt Service/Nondepartmental	\$ 3,836,209		\$ 3,545,380	
Contribution to Capital	810,000		1,190,000	
Total Capital/Debt Investment	\$ 4,646,209	4%	\$ 4,735,380	4%
Total General Fund	\$108,421,555	100%	\$113,498,385	100%

FY 2004 General Fund Expenditures By Category



County Administrator's Budget Message

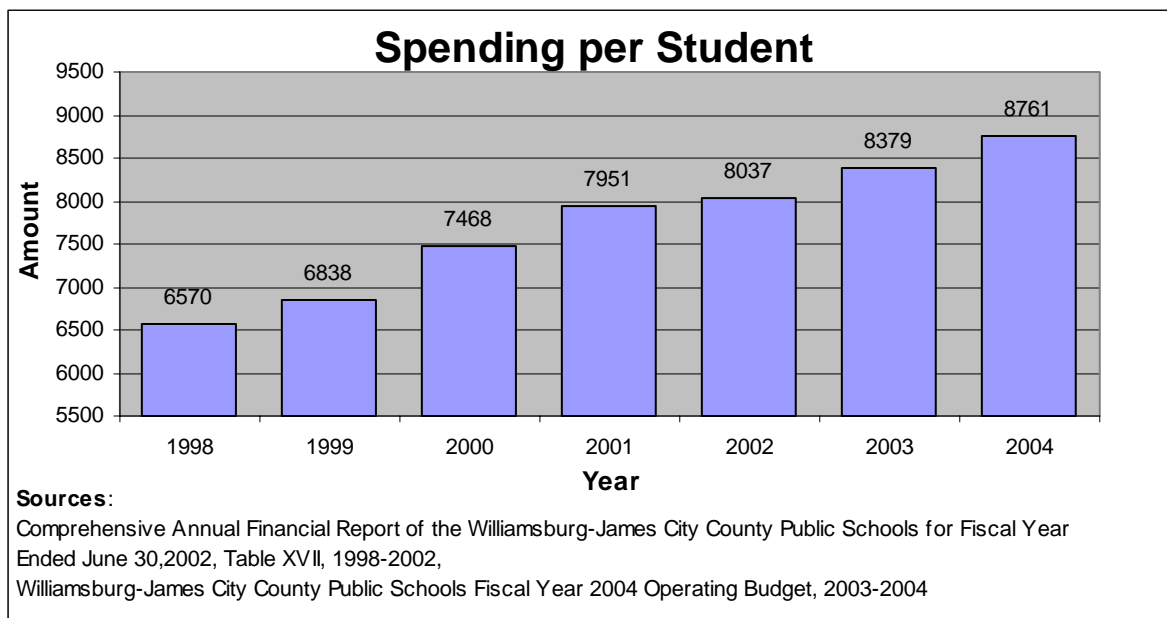
Schools

Education is an important component of a healthy community. For FY 2004, I am proposing that the County contribute \$62,324,223 to the Williamsburg/James City County Schools. This provides a 6.2 percent increase for operations to \$52,540,273 and \$9,765,500 for debt service.

Constitutionally, the State of Virginia has the primary responsibility for K-12 education. The State's Standards of Quality require that localities provide a local match. For FY 2004, the State required match for James City County is \$22,151,084. We are proud to fund more than two times the match of State funds required by the Code. The Contribution to the Schools is 55 percent of the total County budget. Because of the consistent support that the Board of Supervisors has given to the Schools, the 2001 Comparative Report of Local Government Revenues and Expenditures, published by the Auditor of Public Accounts, ranks the Williamsburg/James City County Schools first in Hampton Roads in K-12 spending, exclusive of debt service and preschool costs.

The Schools are well funded from a local level in comparison with other Hampton Roads school divisions, primarily due to the local funding provide by James City County and the City of Williamsburg. We will continue to seek opportunities to partner in non-instructional areas such as building maintenance and insurance.

The following chart depicts that historically, the Schools have been able to increase their spending per student due to healthy funding from all sources. In this proposed budget, the projected per pupil spending is expected to be \$8,761. The projected per pupil spending increases to \$9,883 when debt service is added to the equation.



County Administrator's Budget Message

Transfers to Other Programs

Transfers to programs other than County operations and the school system for FY 2004 amount to \$9,805,677. Three large items in this category are the County's cost of housing inmates in the Regional Jail and the contributions to the Williamsburg Regional Library and Outside Agencies.

Regional Jail

The County is a member of the Virginia Peninsula Regional Jail Authority which oversees the jail, located in James City County. This budget includes the County's share of operations for the facility for 2004 based on a per diem rate. The Jail Authority's members include the Counties of James City and York, and the Cities of Williamsburg and Poquoson. The County's cost for inmate incarceration will increase by \$17,215 in FY 2004. This is a result of the decrease in the average daily population of James City County inmates housed offset by an increase in the local per diem cost as the State has reduced its reimbursement to the Regional Jail.

Regional Library

The City of Williamsburg and James City County share the cost of Library operations based on their respective share of circulation. The County contribution to the Library for FY 2004 is \$3,637,976. This amount fully funds the Library's request. This increase funds an overall performance increase of 3.5 percent and does not pick up any decrease in State aid. I would like to express my appreciation to the Library Board of Trustees for recognizing the difficult economic times and adjusting its budget request accordingly.

Contributions to Outside Agencies

The County contributes to a number of outside agencies, such as the James City County Volunteer Rescue Squad, James City/Bruton Volunteer Fire Department, the Community Action Agency, Peninsula Agency on Aging, and Williamsburg Arts Commission, which provide services to County residents and businesses. In addition, the County supports tourism efforts particularly targeted to marketing efforts as well as Jamestown 2007 planning and tourism venues using a portion of the taxes collected on Lodging. The proceeds from half of the Lodging taxes total \$1,025,000 and will be used as required by State law for tourism initiatives.

With limited funding available, I have concentrated resources on the County's commitment to its seniors and affordable housing with increased allocations to the Historic Triangle Senior Center, the Foster Grandparent programs, the Housing Partnership program, Habitat for Humanity, and a first-time funding allocation to the Meals on Wheels program. A complete list of contributions to outside agencies can be found on Pages C-53 and C-54.

In FY 2004, the results of the Revenue Maximization initiative approved by the Board of Supervisors can be seen as these Federal funds are targeted for at-risk children and can be used to enhance and expand human services needs within our community without supplanting existing funding. Partnerships have been established with many community agencies and the public

County Administrator's Budget Message

schools so that they may tap into this funding source. The funding is evaluated on an annual basis and continued funding from this source, while not guaranteed, should allow the County to respond to increasing service demands.

The use of Revenue Maximization funds cannot supplant existing funding but has limited the General Fund increase to outside agencies such as Child Development Resources, Court Appointed Special Advocates, CHIP (a health program for children), and Community Action Agency. The Revenue Maximization funds and their appropriations can be found in the Virginia Public Assistance Fund. Funding requests were critically reviewed and where agencies had justified requests and no other funding sources available, increases in funding were recommended.

County Expenditures

The remaining portion of the General Fund budget not related to the Schools, transfers to other programs or the Regional Library equates to 33 percent. Budget increases were kept to 2.4 percent and over half of that increase is targeted to public safety.

Employee Compensation

The Board has been very supportive of the County's market-based compensation plan, an important, cost-effective tool in attracting and retaining qualified employees, and has initiated some compensation and benefit policies. In this budget, I'm asking you to stay the course in employee compensation and benefits as planned in Fiscal Year 2004.

Adjusting the Infrastructure

The Board supported a recalibration of our salary structure, which was implemented this year, Fiscal Year 2003. As a result, our structure is very competitive, and does not require an adjustment in Fiscal Year 2004.

Other infrastructure adjustments include:

- Competitive pay, implemented by the Board two years ago, is raised \$.25 per hour so that all employees holding regular, full-time jobs will be paid at least \$8.50 per hour.
- Nine positions will be moved to different salary ranges based on market data; only one employee receives a salary adjustment to the beginning of the new range.
- Three positions will be reclassified because of significant changes in their duties and responsibilities, resulting in salary increases for the incumbents.
- Career Ladder Advancements for eligible employees are also recommended for funding. More than 88 percent of this funding is for positions in public safety, and it represents the largest cost in of this year's infrastructure maintenance.

The total cost to the General Fund of maintaining the market-based compensation plan is \$86,549.

County Administrator's Budget Message

Pay for Performance

I recommend that you fund a 3.5 percent performance increase based on the midpoint of the salary range that you adopted for planning purposes last year. This is the only way that employees progress through the salary range. This budget does not recommend a decrease in the performance percent in order to fund compression adjustments to address employees' positions within the ranges, however, we are continuing to study this issue and will have a proposal for FY 2005. The planned 3.5 percent is on target with published salary surveys, will continue the Board's practice of funding an increase that is about the middle of those in our market and is less than surrounding jurisdictions such as Williamsburg and York County. The cost to the General Fund for pay for performance is \$696,943.

Health Insurance and Other Benefits

The requested budget for benefits is modest. The increase to the County in health insurance premiums is small at only 5 percent above the current fiscal year. Employees will experience an increase either in co-pays or premiums based on plan selection. The beneficial Working Towards Wellness Program can be extended to all employees for \$15,000 less than planned and the Wellness initiative is already showing results. As an example, the "Excellent" rating for body composition within the Police Department has risen from 12 percent to 22 percent. The Board-initiated Employer Assisted Home Ownership Program is another initiative that has shown results. Six employees now own homes in James City County or the City of Williamsburg with the help of this program. This program can be continued for \$20,000. In addition, there is no increase in other County benefits. While I am delighted with this year's benefit numbers, it is likely that increases will occur in Fiscal Year 2005, particularly in health insurance and increased contributions to the Virginia Retirement System.

Operating Expenditures

Operating departments responded to my guidance by critically reviewing their budgets and identifying areas of cost savings. Some examples are:

- Review of vehicle replacement schedule. All non public safety vehicles' useful lives have been extended to 10 years, 120,000 miles.

- Elimination of 15 vehicles from the overall fleet - five from the general fund, nine from the JCSA, and one from special revenue funds.

- Reduction of travel expenditures in the general fund by about \$55,000.

- Increased use of technology through the County's intranet to reduce paper copies.

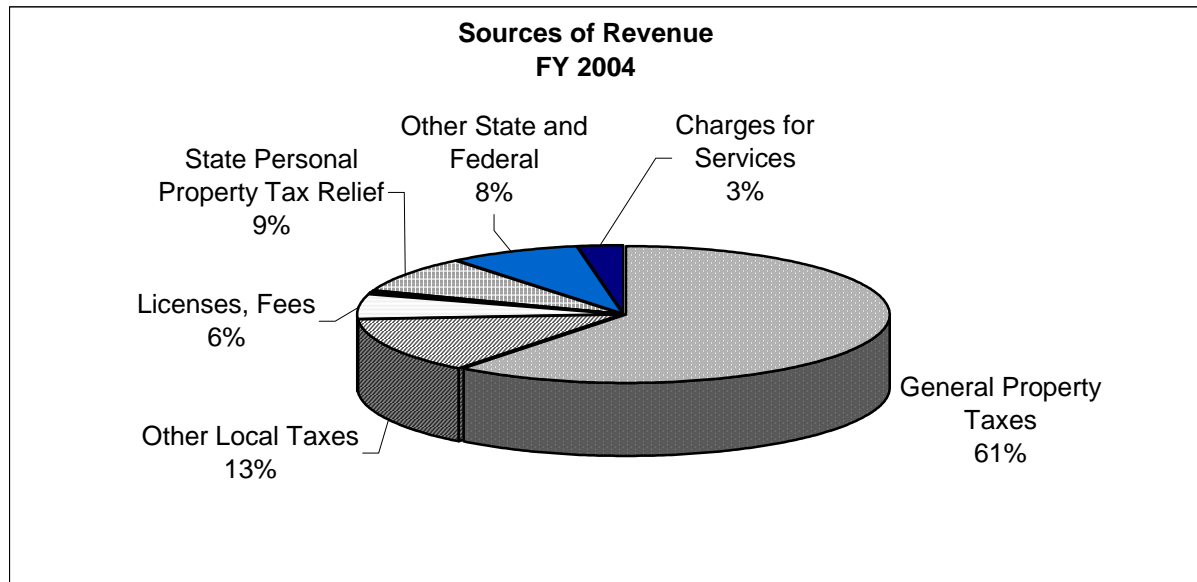
- Utilizing contracts for goods and services awarded by the Schools

The Constitutional Officers also responded to the budget crisis at the State level and have identified areas of savings to mitigate the reduction in State funding levels. Through the hard

County Administrator's Budget Message

work of County staff, I am able to limit the increase to Operating Expenditures to a modest 2.4 percent.

► REVENUES



General Fund revenues are expected to increase \$5,076,830 by growth in some areas and reductions in others. James City County continues to grow as it is a very desirable place to live. Real Estate values reflect this desirability and continue to show healthy increases. With market values prompting assessment increases in real property, revenue growth will come from real estate taxes without an increase in the real estate rate.

Due to the effect that this growth has on the development divisions of the County, I am proposing one new revenue initiative. I am proposing increases to Planning, Zoning, Erosion Control and Building Permit Fees. These fees will bring the County more in line with comparable jurisdictions and will offset additional resources that will provide plan review.

The nation's sluggish economy has had an impact on James City County. Over the past year, two companies have closed in James City County. This is not a reflection on the County, but part of these companies' overall business strategy to survive in the global marketplace. The economy has also had an effect on spending and retailers are experiencing difficult years. In addition to the economy, competing retailers in adjoining localities stifle potential revenue growth.

Finally, interest rates are at historically low levels. This has multiple effects on JCC revenues. Real Estate values rise as lower interest rates offset higher values for mortgages. Recordation Taxes, Land Transfer fees, and Deeds of Conveyance rise as more people buy new homes or refinance existing mortgages. However, lower interest rates translate into lower investment income as idle funds do not earn as much income as in previous years. Additionally, due to a

County Administrator's Budget Message

few years of very low financing opportunities, new car sales are not expected to grow at the same pace as in prior years.

State revenues continue to decline, a result of both State government initiatives that reduce the aid to localities and the overall economy. The State is expected to divert back to its treasury over 50 percent of the ABC Profits and Wine Taxes originally allocated to the County. Other tax distributions such as Car Rental Sales Tax and Mobile Home Tax Commissions are also projected to be lower and could end altogether in the future. HB 599 payments and the Sales Tax for Education are projected to be lower due to economic conditions. The only area of growth in State revenues is the State's reimbursement to localities of the Personal Property tax, although at a lesser pace.

► CAPITAL PROJECTS FUND

The County's Capital Projects Budget has also been impacted by the economy. However, funding of these projects has been accomplished by cutbacks in County operational spending, identification of grant funding opportunities and the use of available School reserve funds.

The County's Capital Projects Budget is \$2,803,076 and these capital investments continue the focus on improving the quality of life in the County:

- ✓ Funds are included to continue a Purchase of Development Rights (PDR) program. This program is an attempt to preserve open space, forested areas, and farmland from development by acquiring the development rights from the property owner. This program requires the voluntary participation of County property owners. Funds are also set aside for greenspace acquisition.
- ✓ A continuing Parks and Recreation investment is another step in the incremental process towards meeting facility needs in the County for youth, school, and adult sports programs. Matching funds for grants are included for basketball courts, parking and a multi-use trail at the District Park Sports Complex. Funds are also included for planning/matching grants for an archaeological interpretative facility at the District ("Freedom") Park and repairs to the boat ramp at Chickahominy Riverfront Park. Planning/design of future greenways and trails also have a funding allocation.
- ✓ Funding is proposed for a replacement ambulance and renovations at Station 4 on Olde Towne Road.
- ✓ A new regional 800 Mhz Public Safety radio system is planned to be funded through debt issuance. It will modernize our dated radio system and improve the safety of police officers and firefighters in the field, as well as the public at large.
- ✓ Planning funds are proposed for a sports stadium at the District Park Sports Complex, focused on School athletic competition facility needs and a venue for community events.

County Administrator's Budget Message

- ✓ Funding is also anticipated from FY 2003 year-end balances of the School Board to finance needed improvements to school buildings. These improvements include an interior refurbishment at Norge Elementary School; gymnasium air-conditioning and front entrance refurbishments at Matthew Whaley and an expansion of the parking lot at Stonehouse. Also included are HVAC improvements at James Blair and rest room improvements at Berkeley Middle School. At the high schools, HVAC and equipment storage at Jamestown and replacing the gym floor and bleachers at Lafayette are programmed.

The FY 2004 Capital Project Budget is part of a five-year Capital Improvement Plan. This plan will be funded one year at a time but each funding decision is expected to be made with the five-year plan in mind. Beyond FY 2004 there are several other capital initiatives, the most significant project involves the funding for a third high school, depending on the results of a potential November 2004 voter referendum. Expansions of the Human Services Center, a new student services building, and a sports stadium are the other large projects. Continuing development of recreation facilities and renovation efforts at existing schools, in addition to annual allotments for the PDR, greenspace and greenway programs are anticipated. Recent State legislation for sheltering animals will require improvements to the existing facility. Regional partnerships are being considered to address the capital needs of a regional facility that would meet the State requirements.

► PROPRIETARY FUND

The James City Service Authority (JCSA) budget, found in Section E of this document, represents the financial plan for operating and capital costs of the water and sewer programs, which are provided to certain areas of the County. The JCSA is financed entirely by user fees and receives no tax revenue from the County. Included in the FY 2004 financial plan is an increase in sewer rates from \$2.30 per 1,000 gallons to \$2.50 per 1,000 gallons in order to adequately fund maintenance and operations of the sewer fund of the Authority.

One (1) Civil Engineer is proposed to assist with workload such as plans review, infrastructure upgrades, repair, and rehabilitation. In addition this position will help support the construction of the Groundwater Treatment Facility and associated distribution system improvements. One (1) position is proposed to oversee the construction phase of the Plant and then will become Plant Supervisor.

One (1) additional Utility Operations Technician is proposed for the Wastewater Management Section of Utility Operations to maintain and repair equipment used in the JCSA's wastewater mechanical system.

One (1) Master Auto Mechanic position is proposed to be funded by the JCSA to work on JCSA vehicles. This is in lieu of billing the JCSA for labor hours.

The JCSA Capital Budget is dominated by construction of the Groundwater Treatment Facility and other related facilities.

County Administrator's Budget Message

►SPECIAL REVENUE FUNDS

The majority of support in the Special Revenue Funds, which are found in Section F, comes from State and Federal Grants. The County General Fund also contributes to these funds, which include Transit, Community Development, Social Services operations, and Special Projects/Grants.

The Transit fund includes the operations of the Williamsburg Area Transport (WAT). Ridership on WAT has increased significantly during FY 03. From the period July 1, 2001 through December 31, 2001, ridership was 44,000. During the same period in 2002, ridership rose to 181,000.

The FY 04 budget for Williamsburg Area Transport maintains the improvements approved by the Board last year. These improvements include service until 8 p.m. during the non peak season and 10 p.m during the peak season. WAT will continue to provide transportation to the College of William and Mary and to connect to Hampton Roads Transit six times daily.

The Social Services budget increases to \$5,463,610 in FY 2004. The majority of this increase is attributed to Federal and State Funding for programs such as Title IV-E Foster Care to address the additional children who have recently entered care and also to cover the increasing costs of special placements needed by a number of the County's foster children. The Revenue Maximization initiative is also reflected in this budget and is \$116,189 for FY 2004.

The Community Development Fund includes funding for the home ownership assistance initiative for County employees.

Conclusion

Despite lower than expected revenues, this budget continues to provide funding to achieve the goals of the County's Strategic Management Plan and sustain the community's quality of life. Citizen feedback received during the Comprehensive Plan update this year confirmed support for our commitment to education, the environment, greenways and greenspace, public safety, and affordable housing. These important values are reflected in this budget proposal. Priorities expressed by citizens and the Board have helped to distribute the limited available funds to meet the most important needs of our community. Enhancements were provided to education, affordable housing, and public safety, maintenance of funding was provided to purchase development rights and greenspace and limits were set to spending in County operations and outside agencies, such as the Regional Library. The balancing of these priorities was accomplished with no increase to the Real Estate tax rate.

I am proud that, in these uncertain economic times, we continue to maintain a solid financial position and we can meet our goals within available resources

County Administrator's Budget Message

Respectfully submitted,



Sanford B. Wanner

County Administrator